

**Transcript of Remarks by Senator Kent Conrad (D-ND) at Press Conference  
with Representative John Spratt (D-SC) on Republican Budget Resolutions  
March 14, 2003**

It is good to see you all after yesterday's lengthy markup. Congressman Spratt and I are here today to discuss the budget resolutions that have now passed the Senate Budget Committee and the House Budget Committee. I'll discuss the Senate resolution; Congressman Spratt, the House resolution. And then we'll be open to your questions.

The fatal flaw in both these resolutions is that they have tax cuts that are so large that they will plunge us into deeper and deeper deficits. As all of you know, we are headed already for record budget deficits this year. And the President proposes a nearly \$2 trillion additional cost of tax cuts, coupled with increased spending that will put us in deficit the entire rest of this decade. In fact, in his own budget documents it shows we never escape from deficit, and the deficits keep getting worse and worse and worse as the baby boom generation retires.

In the Senate, Senator Nickles' plan would add \$1.6 trillion to the deficit over this 10-year period. You can see under his plan, we run a deficit of \$503 billion in 2004, excluding Social Security. We never have a deficit less than \$300 billion as deficits are legally defined throughout the rest of the decade.

The Chairman's mark in the Senate would raid Social Security to the tune of \$2.7 trillion over the next 10 years, taking virtually every penny of Social Security surplus.

The gross national debt would double from 2002 under the Chairman's mark by 2013 to \$12 trillion, just before the retirement of the baby boom generation. This was the time we were suppose to be paying down debt, or pre-paying the liability. Instead, under the Chairman's mark and under the President's plan, the deficit and the debt are exploding.

One of the things that is most striking about the budget that has passed the Senate Budget Committee and the budget proposed by the President is there is no accounting for war costs. Now, we would be the first to acknowledge it is hard to make an assessment of what a war would cost. But the right number is clearly not zero. We've already spent tens of billion just getting the troops in place and getting prepared for the conflict that is almost surely to come. And how it can be responsible when we have 250,000 Americans poised on the border of Iraq to say there is no cost associated with the potential conflict strikes us as totally detached from reality.

As we have indicated over and over, this is a chart from the President's own *Analytical Perspectives* (page 43) on his budget proposal. What it shows is the next 10 years are the sweet spot in the budget cycle. This is the time the trust funds are producing hundreds of billions of dollars of surpluses. But look what happens if we adopt the President's plan: more tax cuts; more spending; and, of course, when the baby boomers retire, the cost to the federal government explode right at the time the cost of the President's tax cut explodes, putting us into levels of deficit unprecedented in our country's history.

This chart I think in many ways is most important, because what it shows is that the trust funds of Social Security and Medicare – Medicare is the blue bar, the green bar is the Social Security trust fund, the red bar are the costs of the President's tax cuts – you can see interestingly enough, there's kind of a rough balance now between the size of the President's tax cuts and the trust fund surpluses of Medicare and Social Security. But look what happens when those trust funds go cash negative in the next decade. At the very time they go cash negative, the cost of the President's tax cuts explode, plunging us into deep deficit, ever growing debt in a way that is totally unsustainable.

This has got to be beyond the wildest river boat gamble ever engaged in in the fiscal future of our country. But it fundamentally threatens the economic security of America. I don't know what could be more clear. There can only be one possible outcome of this. That is massive cuts in Medicare, Social Security and in every other part of the federal government. That can only be the outcome that they intend.

And we've seen a foreshadowing now with what the House Budget Committee did. House Republicans have at least been honest and said if you're going to have these massive tax cuts, and you're going to avoid massive deficits and debt, you've got to have deep cuts in every part of federal activity. You have to cut Medicare. You have to cut Medicaid. And you have to cut them a lot. And it is just the beginning. It's the tip of the iceberg, but at least the House has been honest enough to say where this is all headed.

When we look at economic growth, we've heard continuous assertions by the other side that their plan is a plan of economic growth. No it is not. It is not a plan of economic growth. It is a plan to kill economic growth, because the dead weight of the deficits and debt will hold this economy back for years to come.

Mr. Zandi, who is a noted economist, has done an analysis of the two plans that shows that the Democratic plan will give larger impetus to economic growth in the short-term and not do the long-term damage of the President's plan. He actually shows that the long-term effect of the President's plan is negative. And it's not just Mr. Zandi. The very group that is under contract to the Congressional Budget Office and to the White House to do their econometric modeling shows the same result. They show that the early years, 2003 and 2004, the President's plan gives a boost, but then it actually hurts economic growth in comparison to doing nothing. In other words, we would be better off doing nothing than doing the President's plan for economic growth.

I don't know what could be more clear. I believe momentum is growing against the President's proposals, against what just passed in the Committees. Moderate Republicans are saying to me they are deeply concerned about the projected growth of deficits and debt that they believe is dangerous to the country, and they want to be part of doing something to chart a different course.

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*Question:* Are you still planning on producing a Democratic alternative, and if so, will it be

balanced?

*Conrad Answer:*

First of all, we are doing an alternative, but we're doing much more than an alternative. We are doing a series of amendments that fundamentally alter the outcomes here, and we're talking with colleagues to determine the precise makeup.

We offered in the Committee a series of amendments. The first amendment I offered, had it been passed, would have put us in a position to add no new spending, except spending for homeland security and national defense, and no new tax cuts, except those for a stimulus package for this year and next. That was rejected on a party-line vote. I can tell you there is a good deal of interest in the broader Senate on such a proposal. But there will be many others to try to fundamentally alter the direction of events, because if we do not, we see the Republican President and the Republican budget leaders taking us right off the cliff into a mass of red ink.

*Question:* Setting aside the tax cut for a moment and looking at your Medicare chart, Medicare does go out of balance and it does so pretty quickly and severely. Isn't what the House Republicans are doing in terms of a prescription drug benefit, exactly what you ought to be doing if the program is going to go broke? Why exasperate that problem by \$800 billion or \$400 billion or whatever you are going to do without trying to find some savings in the program at the same time?

*Conrad Answer:*

Look, there are going to have to be savings in the program. That's very clear. They are making all of that far worse. You can't separate out – leave the tax cut aside or any of the rest of it, because they are making the situation so much worse. They are forcing us into a circumstance in which you will have to have deep cuts in Medicare and Social Security.

It is clear that it is a priority of the American people to have a prescription drug benefit. The reason it is a priority is because the pattern and practice of medicine has changed. If you were to write a Medicare program today, you would certainly have prescriptions as part of it.

Let me just give you one example. Stomach surgery because of ulcers has been reduced by two-thirds in this country with substantial savings both in dollar terms and in the suffering of people. That has happened because of new medicine, new prescriptions. It used to be the only way you could deal with those problems was surgery. Now, the vast amount of surgery has been eliminated because of prescriptions. So the pattern and practice of medicine have changed.

You'll recall Senator Moynihan used to hold up the Merck manual when Medicare was passed. It was a very thin volume of all the medicines available for prescription. Today the Merck manual is a massive document. And so if we're going to have a modern Medicare, clearly prescription drugs have got to be a part of it.

But that said, I think everybody understands we're going to have to make tough choices in the years ahead because of the size of the baby boom generation and the cost of their retirement. But they are exasperating the situation in such a draconian way that the only possible result will be deep and devastating cuts in those programs, and the House budget reveals the truth of that statement.

*Question:* Can you tell us -- given the fact that the House and Senate Budget Committee chairmen took very divergent paths toward their balance and their approach and how they get their savings -- other than opposition to most of the tax cuts, what will the elements that your alternatives will have in common? Will you have similar approaches or different approaches like your Republican colleagues?

*Conrad Answer:*

We will have approaches that are quite similar. But obviously we are reflecting the difference in the bodies. You saw that between the House and Senate Republican chairmen. Look, at the end of the day here what is critical is that we gather the votes necessary to stop this reckless and destructive course that the President has proposed. That is our responsibility and to do that is going to require us to listen very carefully to the handful of swing votes that can make the difference in the outcome. That will dictate the various options we present to our colleagues.

And so, while John and I would be very much joined at the hip in terms of what we would do if we were just able to freely offer budget plans -- I can't think of anyone who I'd probably be more like-minded with in either chamber than John Spratt -- but that can't be what determines what we propose. It's got to be based on -- in the Senate -- what has got the best prospect of strengthening the economic position of our country.

*Question:* Does that mean you'll be offering an alternative that includes \$350 billion in reconcilable tax cuts that the moderates tend to support?

*Conrad Answer:*

It may well. It may well. We're in discussions with people and we've got to see the results of those discussions before we reach a conclusion.

*Question:* What I mean by that is will you be offering that as your main alternative because it might pull in the votes that you just talked about?

*Conrad Answer:*

We can't make a conclusion on that until we have had discussions that are going to be underway this weekend and early next week. Many of those discussions are already underway, but people are trying to reach conclusion on what's got the best prospect of succeeding. It may

well be, Bud, and I want to be clear about this, it may well be that while I'm doing an alternative that the best option for stopping this disastrous and reckless course is a series of amendments. A number of people have said to us it would be easier for them to vote for a series of amendments or at least one significant amendment than a budget substitute.

*Question:* But you are saying that you would be willing to support \$350 billion in tax cuts for the stimulus in reconciliation if that's what it takes to significantly change the resolution on the floor?

*Conrad Answer:*

I personally would be prepared to vote for that alternative. I have said that before publicly because I see the alternative of the President's total cost of his tax cuts – \$1.96 trillion – as an absolute disaster. And an absolute disaster in terms of threatening the economic security of this country.

*Question:* Given the war and the economy and past practices, how real and long-lasting do you think the numbers are going to be in the budgets that are adopted? In other words, are they going to mean anything?

*Conrad Answer:*

Yes, they do mean something. They mean a lot, because once you chart a course around here, I think everybody knows it is more difficult to change. And that's what is so dangerous and so reckless about what the President is proposing. And I don't use those words lightly. I use them because I deeply believe what he is telling us to do, when we are already facing record deficits, and he says go cut another \$2 trillion out of your revenue base and don't offset it by spending cuts, but increase spending. All of it on the eve of war, which he has not provided any money for, nothing. And also on the eve of the retirement of the baby boom generation, which everyone knows will dramatically increase the cost to the federal government at the very time the costs of his tax cuts explode. What are they thinking of down there?

There can only be one answer, and that is they fully intend to shred Medicare and Social Security and the rest of federal spending. That can be the only outcome here. Is that what America wants? I don't think so. I don't think they want to shred law enforcement. I don't think they want to shred the safety net of Social Security and Medicare for our seniors. I don't think they want to devastate support for federal parks in this country. I don't think they want to strip away a federal highway program that is part of what knits America together. But, that is the course we are on if the President's proposals are adopted. It's clear as it can be.

*Question:* Can you say what the chances are for the two budget resolutions as passed by each committee if they come on the floor in the form in which they passed committee. What is the likelihood those versions could pass in each of your chambers?

*Conrad Answer:*

Oh, I don't think it can pass. As of today, it cannot pass in the Senate as it came out of the Senate Budget Committee. I think that's clear from the public statements of people. And I can tell you it's more than people who have spoken publicly. There are others who are deeply concerned about this course.